

File Mercur
ACT 1045/013
Copy to PAM, MARK M.

BARRICK RESOURCES CORPORATION

August 7, 1985

Mr. David R. Bird
Parsons, Behle & Latimer
185 South State Street, Suite 700
Post Office Box 11898
SALT LAKE CITY, Utah
84147-0898

Dear David:

Re: Reclamation Self Bonding Requirements

I have the following comments/information in response to the points listed in your letter of August 6, 1985:

1. Please recommend a suitable agent in Utah *David R. Bird*
2. I enclose the audited financial statements of Barrick for the years ending December 31, 1984, 1983, 1982, 1981 and the period ending December 31, 1980. I also enclose a copy of the information booklet prepared in connection with the Camflo Mines Limited, Bob-Clare Investments Limited and Barrick amalgamation in July 1984. Although from an accounting standpoint Barrick acquired Camflo and Bob-Clare, legally there was an amalgamation and each of the three companies is a predecessor of the present Barrick. Page 71 of the circular shows Camflo's audited statements of operations back to 1979.

3a) Barrick has three active businesses in the United States:

i) Coal

Barrick's indirect wholly owned subsidiary Muskingum Mining Incorporated operates two coal mines in Ohio. I enclose a copy of the audited financial statements of Muskingum at December 31, 1984 which shows Property, Plant and Equipment of US\$30,160,879 net of depreciation. Excluding the gross costs of land and improvements of US\$9,288,784 net fixed assets amount to US\$20,872,095 (this is a minimum figure as some of the depreciation would be applicable to land and improvements).

ii) Gold

As you are aware Barrick recently acquired the Mercur Mine for US\$31 million cash and a future production payment of US\$9 million. Schedule J-3 (attached) to the Stock Purchase Agreement between Getty and Barrick lists capital assets at the mine of US\$68,444,217. Even on the basis that the assets acquired should be written down to Barrick's cost, in excess of US\$20 million of the US\$31 million will be allocated to the Mill and Mining equipment.

Mr. David R. Bird
Parsons, Behle & Latimer

iii) Oil and gas

Barrick has expended in excess of US\$23 million on its U.S. oil and gas properties, these properties represent virtually all of the Cdn\$ 29,916,000 shown as petroleum and natural gas interests on page 15 of the 1984 annual report; however the majority of these expenditures are lease acquisition and enhancement costs and thus may not qualify as fixed assets as defined by the Department of National Resources.

- b) The audited pro forma balance sheet at December 31, 1984 shows a ratio of total liabilities to net worth of 0.77 to 1. This pro-forma balance sheet reflects the consummation in 1985 of certain transactions initiated in 1984 (see notes 1(a), 15 and 16). The ratio of current assets to current liabilities is 1.45 to 1.

4. See 1984 annual report.

5. I enclose the interim report for the three months ended March 31, 1985. The interim report for the six months ended June 30, 1985 will be available within two weeks.

As requested I enclose a copy of the Form 20-F filed with the Securities and Exchange Commission for the fiscal year ended December 31st, 1984.

Please call me if you have any comments on the above or require any further information. I will be in Salt Lake City Wednesday and Thursday of next week and we can meet then if you wish.

Yours very truly,

BARRICK RESOURCES CORPORATION



J. Garbutt
Executive Vice President, Finance.

Encl.

NONCOAL
(August 1985)

Mine Name Mercur Mine
Permit No. ACT/045/013
Date August 21, 1985
Checked By PGL & H. Black

SELF BONDING QUALIFICATION SHEET

(Barrick Resources Corporation Meets Criteria #3)

Applicant required to meet one of the following criteria:

1. Current rating for most recent bond issuance ("A" or higher) (Moody's Investor Service or Standard and Poor's Corporation)

NA

or

2.

- A. Tangible Net Worth = (at least \$10 million) (Net worth minus intangibles [Goodwill and rights to patents or royalties])

NA

- B. Total Liabilities/Net Worth = Obligations to transfer to other assets or provide services to other entities/Total assets minus total liabilities and is equivalent to owner's equity (2.5 times or less).

NA

- C. Current Assets/Current Liabilities = Cash or other assets or resources which are reasonably expected to be converted to cash or sold or consumed within one year/Obligations which are reasonably expected to be paid or liquidated within one year (1.2 times or greater).

NA

Reference: _____

or

3.

- A. Fixed assets in the United States (at least \$20 million) =

Coal Properties--

\$20.8 million

Gold Property--

\$31 million

B. Total Liabilities/Net Worth
(2.5 times or less) =

.77

(\$ 81,924,000)
(\$105,353,000)

Current Assets/Current
Liabilities (1.2 times or
greater) =

1.45

(\$16,444,000)
(\$11,371,000)

Reference: 1984 Annual Report - Barrick Resources
Corporation

Suitable agent (resident within the state of Utah)

David R. Bird, Esq.
Parsons, Behle & Latimer
185 South State Street, Suite 700
Salt Lake City, Utah 84147-0893

Been in continuous operation of not less than five (5) years
(immediately preceding the time of application) (submitted five
annual reports--Yes X No)

(i) Financial statements prepared by an independent certified
public accountant in conformity with generally accepted accounting
principles. Yes X No

(ii) Unaudited financial statements for completed quarters in
the current fiscal year. Yes X No

(iii) Additional unaudited information as requested by the
Division.

(August 1985)

NONCOAL

all
11-86 Bond
G, 657, 000.000

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

SELF BONDING AND INDEMNITY AGREEMENT

This Self Bonding and Indemnity Agreement (hereinafter referred to as "Agreement") entered into by Barrick Resources Corporation and Barrick Mercur Gold Mines Inc. (hereinafter jointly referred to as "Barrick") and the state of Utah, Department of Natural Resources, Board of Oil, Gas and Mining (hereinafter referred to as "Board"),

WITNESSETH

WHEREAS, Barrick Mercur Gold Mines Inc., has obtained Permit No. ACT/045/013 from the Division of Oil, Gas and Mining to operate the Mercur Mine in Tooele County, Utah as an open pit gold mine under the Mined Land Reclamation Act, Utah Code Annotated, 40-8-1 et seq, 1953, as amended ("Act") and implementing regulations; on the premises specifically described in EXHIBIT A; and

WHEREAS, Barrick wishes to obtain a bond to operate an open pit gold mine under Permit No. ACT/045/013 under 40-8-14(3); and

WHEREAS, Barrick has designated David R. Bird, Esq., Parsons, Behle & Latimer, 185 South State Street, Suite 700, Salt Lake City, Utah 84147-0898 as its agent for Service of Process in the state of Utah, and

WHEREAS, Barrick Resources Corporation has been in continuous operation as a business entity for the last five years; and

WHEREAS, Barrick Resources Corporation meets the financial criteria for self bonding (as shown in the attached financial sheet); and

WHEREAS, Barrick Resources Corporation has submitted to the Division of Oil, Gas and Mining and Board financial statements which are accompanied by an audit opinion prepared by Coopers & Lybrand, Accountants.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, Barrick does hereby agree to be held and bonds to the Board for the sum of \$4,197,593.00 (1994 dollars) for the timely performance of reclamation responsibilities for the Mercur Mine, Permit No. ACT/045/013 in lawful money of the United States. By the submission of this Agreement, Barrick will and truly binds itself, its successors and assigns, jointly and severally by these presents.

The conditions of the above obligations are as follows:

1. Barrick shall perform all duties and fulfill all requirements applicable to reclamation as set forth in the Act, the regulations adopted pursuant to the Act and the conditions of the permit to conduct open pit mining operations under Permit No. ACT/045/013 issued by the Division.
2. The liability of Barrick under the Agreement is conditioned upon successful reclamation of the permit area as provided in the reclamation plan for Permit No. ACT/045/013 for a

period of time and in the manner specified in the Act, regulations adopted pursuant thereto, and the conditions set forth in Permit No. ACT/045/013 issued by the Division. At no time shall the liability or responsibility of Barrick hereunder exceed the sum of \$4,197,153.00 (1994 dollars). Provided, however, that the Board may adjust the amount of the liability hereunder as provided in Section 6 hereof.

3. Barrick does hereby agree to indemnify and hold the Board harmless from any claim, demand, liability costs, charge or suit brought by a third party, as a result of Barrick's failure to abide by the terms and conditions of the Reclamation Plan as set forth in the mining Permit No. ACT/045/013 and from any failure to comply with the terms of the Agreement.
4. The Board shall give Barrick, or its designated agent herein, notice of any claim and any legal proceedings within the scope of the indemnity set forth at Section 3.
5. Upon successful completion of part or all of the obligations secured hereby, Barrick may petition the Board for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division of Oil, Gas and Mining shall timely conduct an inspection to ascertain whether the duties and obligations of Barrick under the Act, the regulations adopted pursuant thereto, and Permit

No. ACT/045/013 have been fulfilled. If such duties and obligations have been fulfilled, the Board shall release Barrick from part or all of its obligations under this Agreement and shall file a notice of such release in the property records of Tooele County, Utah.

6. This Agreement shall be reviewed periodically by the Division, or reviewed upon petition by Barrick in accordance with the Act and implementing regulations and the amount of liability under this Agreement may be adjusted where it is clearly established that the cost of future reclamation has materially changed.
7. This Agreement may be terminated upon 90 days prior written notice to the Board if terminated by Barrick or upon 90 days prior written notice to Barrick if terminated by the Board. Upon such written notification, Barrick will have 90 days to obtain an alternate form of bond to secure reclamation obligations for Permit No. ACT/045/013 in the same amount as stated herein and amendments thereto.

SO AGREED this 19th day of September,


19 85 .

BARRICK RESOURCES CORPORATION

Page 5
NONCOAL

August 29, 1985
Date


By


Corporate Officer

S.R. Dattels
Executive
Vice-President
Corporate Finance
- Position

August 29, 1985
Date

By

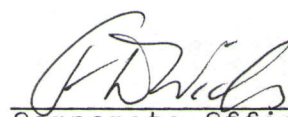

Corporate Officer - Position

G. Wilkins
Vice President
and Controller

Barrick Mercur Gold Mines Inc.

September 6, 1985
Date

By

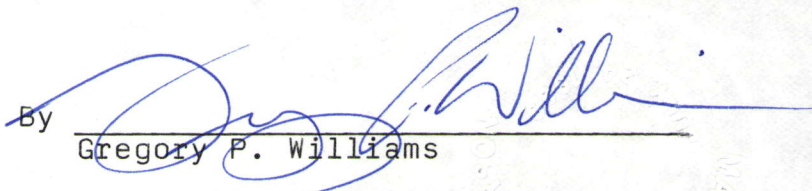

Corporate Officer - Position

F. D. Wicks
Vice President &
General Manager

Chairman
Board of Oil, Gas and Mining

Sept. 19, 1985
Date

By

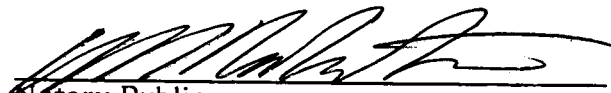

Gregory P. Williams

APPROVED AS TO FORM:


Assistant Attorney General

Province of Ontario)
) ss:
County of York)

On the 29th day of August, 1985, personally appeared before me Gregory C. Wilkins and Stephen R. Dattels who being by me duly sworn did say that he, the said Gregory C. Wilkins is the Vice-President and Controller of Barrick Resources Corporation and that he, the said Stephen R. Dattels is the Executive Vice-President Corporate Finance of Barrick Resources Corporation and said instrument was signed on behalf of said corporation by authority of its bylaws or a resolution of its board of directors and said Gregory C. Wilkins and Stephen R. Dattels duly acknowledged to me that said corporation executed the same.


Notary Public
Residing at Mississauga, Ontario

My Commission Expires:

WILLIAM RICHARD ROBERTSON, Commission limited
to the execution of instruments and the taking of
depositions only while associated with Barrick Resources
Corporation, and for work in connection with this
corporation and its subsidiary associated and affiliated
companies only. Expires August 1, 1987.

STATE OF Utah)
) ss:
COUNTY OF Salt Lake)

On the 19 day of September, 1985, personally appeared before me Gregory P. Williams, Esq., who being by me duly sworn did say for him, that he, the said Gregory P. Williams is the Chairman of the Board of Oil, Gas and Mining, Department of Natural Resources, state of Utah, and he duly acknowledged to me that said Board executed the foregoing document by authority of law on behalf of the state of Utah.

Mayorie L. Anderson
Notary Public
Residing at: Salt Lake City, Utah

My Commission Expires:

July 24, 1989

0441R

Subject: Barrick Mercur Request For Bonding *zke*

I have reviewed the 1985 audited statement of Barrick Mercur and the 1985 Securities and Exchange Commission report for the parent, American Barrick Resources Corporation and offer the following comments or personal observations.

Self Bonding and Indemnity Agreement

Page two of the agreement reads "WHEREAS, American Barrick Resources Corporation meets the financial criteria for self bonding (as shown in the attached financial sheet); and . . . NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, Barrick does hereby agree to be held and bonds to the Board for the sum of \$6,657,000.00 . . ."

What "other valuable consideration" has been given to the Division for the self bond?

If American Barrick sells the Mercur mine to a third party, does American Barrick retain a liability to pay for reclamation in the event that the purchaser defaults or is unable to provide a bond?

Page five of the agreement indicates that the agreement may be terminated upon 90 days prior written notice by the Board. Barrick will then have 90 days to obtain an alternate form of bonding to secure reclamation. If the Board should serve such notice and Barrick is unwilling or unable to provide alternative bonding, what remedies are available to the Division for reclamation of the land without substantial cost to the State?

The S.E.C. report indicates that a subsidiary of American Barrick, Muskingum Mining Incorporated, posted reclamation security bonds with the State of Ohio in the amounts of \$9,952,000 and \$11,651,000 respectively for the years of 1985 and 1984. I wonder what form of bonding was used? The report does indicate that some obligations are subordinated to this bond. It would appear to me, that a subordination clause in the current Self Bonding and Indemnity Agreement would be appropriate. In the event of default, such a clause could provide for some financial recovery and funds for reclamation work.

The liabilities of both Barrick Mercur and American Barrick reflect the borrowing of 77000 ounces of gold by Barrick Mercur. The repayment is to come from future gold production. This loan has been secured with the assets of Barrick Mercur and the guarantee of American Barrick

The American Barrick statement reflects and additional \$44,516,000 liability under deferred income to the Gold Company of America. This represents a contractual prepayment for gold to be produced from the Camflo Mine during the next few years. The Gold Company of America is a limited partnership formed by Barrick. Barrick Minerals is the general partner.

It is not clear if the 77000 ounces of gold borrowed by Mercur came from a company with an arm's length transaction or not.

Barrick Mercur operations are currently confined to oxidized ore. The oxidized ore provides Mercur with a maximized recovery rate and lower operating costs. The oxidized ore supply in 1985 was estimated to be a 2 1/2 to 3 1/2 year supply. After depletion of the oxidized ore operations will center on the milling of refractory ore currently being stockpiled. I would expect to see the profitability decline at this time because the gold will have a lower recovery rate and higher production costs.

The SEC statement indicates that substantial numbers of transactions have occurred with companies which have common shareholders, officers, directors, or are controlled by companies related with American. With these circumstances, I believe that it would be in order to request that Peter Munk, Chairman, Chief Executive Officer and Director, along with two other executive officers or directors of American Barrick provide personal guarantees. The concept will undoubtedly meet with resistance, but it is an approach used by financial institutions where security is a problem. In this particular instance, I would suspect security for the bond would present some form of a problem because the assets of Barrick Mercur are already pledged. Assets of American Barrick are also pledged and the guarantees extended by American Barrick to affiliates are currently extensive.

The June 30, 1986 interm report to stockholders has been provided, but interm reports of this nature are broad and very general with information. I would recommend that American Barrick provide the Division with a more detailed set of statements on the Barrick Mercur and American Barrick.

Before extending the bonding, I would encourage exploration of the following areas:

1. Self bonding is an attractive proposition for the operator because it offers a financial benefit to the operator but provides the State with little more than a contingent liability. Larger prudent operators will be able to perform required reclamation work upon completion of a mining operation. When an operator voluntarily or involuntarily goes out of business the bonding becomes important to the Division. It must be recognized that when this happens, the operator may not be able to financially honor the bond, or the assets he may have had will be pledged to others and there will be no funds for reclamation after liquidation of assets. One possible solution to insure some funds would be available for reclamation is to request the operator to deposit a discounted, amount which upon maturity of the self bonding date would have grown to some designated percentage of the anticipated reclamation cost.

2. At the end of each year, require that companies which self bond deposit the current year's reclamation reserve, or some specified portion of the reserve, in a trust account. This fund could then be used for reclamation upon termination of mining activity.

3. Charge a non-refundable fee for self bonding. Such fee would result in a smaller cash outlay to the operator than a bond and the fund could be applied toward reclamation of any self bonded operation which defaulted on the bond.
4. Attempt to have other liabilities of Barrick subordinated to the self bond. In the event of bankruptcy, the bond would then have preference over claims of others.
5. Within the body of the self bonding agreement, spell out the remedies the Division has in the event of default of a self bond and define the action to be taken by the Division if self bonding is refused and alternative bonding cannot be obtained. This would eliminate many questions for Division staff in the event of default.
6. Determine if there is a dollar limit beyond which the Division does not wish to permit self bonding, then determine if there is a dollar limit below which the Division does not wish to consider self bonding. Another alternative to consider is the requirement of a surety bond for the first \$XXX then permit self bonding beyond that amount.

NONCOAL
(August 1985)

Mine Name Mercur Mine *✓*
Permit No. ACT/045/013 017 *Typo*
Date August 21, 1985
Checked By PGL & H. Black

SELF BONDING QUALIFICATION SHEET

(Barrick Resources Corporation Meets Criteria #3)

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NA

- C. Current Assets/Current Liabilities = Cash or other assets or resources which are reasonably expected to be converted to cash or sold or consumed within one year/Obligations which are reasonably expected to be paid or liquidated within one year (1.2 times or greater).

NA

Reference: _____

or

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\$20.8 million

Gold Property--

\$31 million

B. Total Liabilities/Net Worth
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(\$105,353,000)

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Liabilities (1.2 times or
greater) =

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(\$16,444,000)
(\$11,371,000)

Reference: 1984 Annual Report - Barrick Resources
Corporation

Suitable agent (resident within the state of Utah)

David R. Bird, Esq.
Parsons, Behle & Latimer
185 South State Street, Suite 700
Salt Lake City, Utah 84147-0893

Been in continuous operation of not less than five (5) years
(immediately preceding the time of application) (submitted five
annual reports--Yes X No)

(i) Financial statements prepared by an independent certified
public accountant in conformity with generally accepted accounting
principles. Yes X No

(ii) Unaudited financial statements for completed quarters in
the current fiscal year. Yes X No

(iii) Additional unaudited information as requested by the
Division.